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Next 1 Page(s) In Document Denied

Executive Registry

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24 July 62

14 JUL 1962

MEMORANDUM FOR: Deputy Director (Plans)
Deputy Director (Intelligence)
Deputy Director (Support)
Deputy Director (Research)

SUBJECT : Manpower Review

1. The Director has decided to maintain annual expenditures by the Agency for the next several years at the level of the FY 1963 Congressional Budget with no significant increase in the personnel strength authorized therein, barring unforeseen circumstances for which use of the Reserve Fund would be appropriate.

2. The major components of the Agency have submitted a substantial number of requirements which call for an increase in expenditures and personnel over the ceiling of the FY 1963 Congressional Budget. Obviously, in compliance with paragraph 1. above, these new requirements cannot be approved unless requirements of equal amounts provided for in the budget are eliminated. Since some of the new requirements may well be more important than some of those provided for in the budget, a careful review of all programs and activities will be made to determine their relative importance. Such a review has been initiated by the Financial Policy and Budget Committee in connection with the Agency Budgets for Fiscal Years 1963 and 1964.

3. Requirements for personnel must also receive special attention. The Bureau of the Budget and the Congressional Committees that review the expenditures of the Agency are critical of the number of people employed, especially in Washington. The time has come when we must educate those officials of the Government who criticize the size of the Agency on general principles without an adequate understanding of the complexity and scope of the work of our various components. But before we can educate outsiders we must justify our personnel strength to ourselves. The Director expects the officer in charge of each component of the Agency, from top to bottom, to assure himself that the manpower assigned to his component is efficiently allocated and utilized. Deputy Directors will make sure that this is done in their respective areas.

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- 2 -

4. To assist the Deputy Directors in this responsibility, I have appointed a Task Force to examine the manpower situation in certain representative components and submit a report, in the first instance, to the Financial Policy and Budget Committee. It is hoped that this report will serve to establish standards which will be helpful in determining the appropriate personnel strengths for components and the reasons therefor.

5. The Task Force will conduct its examination on the assumption that functions and programs presently performed by components will continue at approximately their present levels, although the concurrent budgetary review of programs and functions may result in the modification or elimination of certain activities and opportunities for the reallocation of personnel. To the extent that positions are identified as non-essential, the Task Force need not consider the question of alternative employment for incumbents as the purpose of the review is solely to develop general conclusions concerning the efficient allocation of manpower.

6. [] will serve as Chairman and [] as members of this Task Force. An appropriately qualified staff will be made available of which Mr. Harry Little will be the Director..

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(Signed) Marshall S. Carter

MARSHALL S. CARTER
Lieutenant General, USA
Deputy Director

COMPT: [] (13 July 1962)

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Reflections on the Agency Productivity Issues, FY 1964

The President has recently called for an increase in productivity in Government agencies. Directives have been issued to this end, e.g., BOB Circular A-44. This objective requires continued attention to work efficiency and the management of resources by all agencies of Government. What does this mean to CIA?

The first step to meeting the President's call was the agreement by the Director to take a cut in budgeted funds for personnel of about 1% in FY 1964. Or put otherwise, the Agency has agreed that thru increases in productivity, it will be possible to get along with less than originally requested. This decision represents an aggressive confrontation by the Agency of the challenge of productivity in the face of increasing workloads.

Also the Agency has accepted a total budget figure 7% lower than requested while at the same time adding programs of considerable magnitude for research and development, communications and expansion of propaganda facilities. In order to do this the Agency has withdrawn most of its fund request for replenishing the Reserve for Contingencies. That Reserve is now being maintained at a minimum working level. Or put otherwise, we have used it for capital investment in FY 1964 for our regular programs. The Agency cushion - its contingency reserve level - does not encourage any failures in maximum use of existing resources.¹⁰ This situation is not as ominous as it may sound. The Agency budget continues to have considerable flexibility.

(a) There is head-room built in for the promotion of our personnel. However, with the 1% productivity cut, it becomes increasingly mandatory that we guard against indiscriminate upgradings or promotions. A manpower program for the Agency should help to keep us in balance on these matters and the recent increase in Government salaries and the on-coming increase in January 1964 for grades through GS-15 should help in the Agency's selection and retention of people.

(b) Flexibility exists in approved levels of projects. Historical analysis on a project-by-project basis reflect considerable underspending in many projects against which funds in the budget were justified. These surpluses, year after year, have permitted reprogramming and absorption of new projects.

(c) There are identified funds approximating [] not specifically earmarked, [] There are also R&D funds approximating [] which are not defined for specific projects at this time. These are the smaller "hidden" pots of gold in each components figures.

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- 2 -

(d) Flexibility also exists to the extent we are able to identify and curtail Agency functions which are questionable in the priority of things. It is in this area that the Comptroller and Deputies must continue to take a hard management look in obedience to the DCI directive to cut out lesser priority activity. In doing so it is also reasonable to project a percentage increase in productivity. Add ons are not the only way!

What of the matter of productivity stimulus? What of the question of measurement qualitatively and quantitatively of our efforts? What criteria can be developed by the Agency management to allocate and reallocate on a continuing basis and to insure proper balance in organizational workload between and among Deputy Directorates on a priority basis? Or put otherwise, how do we distinguish in priority between radios, espionage, external research, R&D, production of current intelligence, etc., etc. How can we insure flexibility in use of personnel, space and materiel? How should the mechanisms for these value judgements be directed to work? What direct authority and responsibility does the Agency Comptroller have in leading the effort?

The proper assessment of Agency activities and the choice of priority is not easy. It involves many intangibles. It involves an Agency orientation - an attitude which will overcome the present tendency of parochialism. It involves regularized and continuous review of programs by the top. It involves insistence by the DCI on performance and productivity by supervisors, and most important it involves hard-nose reprogramming decisions including the shedding of marginal activity, relocation and/or separation of personnel.

These involvements return us again to ask -- What machinery for measurement is available? The answer rests primarily in the budget and programming processes and a strong central direction of these processes.

The mechanisms are the Executive Committee, the Financial Policy and Budget Committee, the Comptroller, the annual budget review by the Deputies and their staffs. These forums provide the judgement bodies.

The problems facing these bodies are many. In the context of this paper and at the risk of repeating myself they include identification and use of flexibility in our resources -- manpower and funds -- against Agency needs, and creation of new and improved flexibility within existing resources by abolishment of marginal effort.

The practice of the past suggests that our tools to meet the problems cited above need considerable sharpening. For example, historically, we have accepted reduction in personnel and/or funds by distributing the cut on a percentage basis. We have used this method which assumed that a proper balance between and among programs of each Deputy Directorate existed. Why have we not been able to undertake these reductions on a priority selection basis? First, because there

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- 3 -

was no mechanism or review system which could justifiably dispute "the assumption of balance". So we accepted it. Second, the Agency organization by Deputy Directorates encouraged a parochialism which, while it may be operationally realistic, does not seem to be conducive to Agency value judgements of relative priorities. Third, in instances where attempts have been made by the top to break down and define priority they have generally failed. This lack of success is used to demonstrate the hopelessness of the technique of committee management. Fourth, there have been external pressures which have disallowed certain changes in program which may have been desirable from an Agency point of view. These external pressures will always be with us.

Perhaps some lesson which will help sharpen our tools and modify our attitudes can be learned from the recent hold-the-line policy implementation in the FY 1964 budget. This hold-the-line decision resulted in almost every component of the Agency budgeting its programs at the same level as in FY 1963. Subsequent analysis by the Budget Division of these programs indicated considerable slack in some money requests while in others little or no flexibility was provided. This situation prevailed within each Deputy Directorate and also occurred across the Deputy Directorates. Unfortunately this failure in careful and wise attention to the DCI directive was also apparent to BOB examiners. This fact tended to undermine the DCI's room to maneuver in negotiating a budget level for new programs and could well have resulted in shaking the Director's confidence in his budgeted line items.

In a paper such as this little more than generalization can be made. One opens themselves to the charge of being "academic". But we must recognize the challenge to use of the President's directive. We must take positive steps to meet it head on. In other words we must do better. Insofar as a system can help, the present proposals for program review hold much promise. They should get full support at the top. If these review procedures are coupled with concentrated attention over the next two years to a program and performance analysis by each Deputy Director, by the Comptroller and by the Financial Policy and Budget Committee taking on the Agency view, real progress can and should be made.

While apples, espionage, lemons and airplanes are not altogether compatible there are some proven approaches to performance and program analysis. They involve the following steps:

- (a) Identify and comprehend the end for which the program or project is justified, i.e. philosophical basis and objective to be attained. Record this.
- (b) Review existing programs or projects to this end and the techniques to be used to accomplish the objectives.
- (c) Evaluate need for the program or project against use of resources in other ways and against its contribution to the Agency mission.

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- 4 -

- (d) Review activities of the programs or projects in relation to objectives and recommend and/or make necessary adjustments as necessary in order to increase efficiency and productivity.
- (e) Evaluate organizational groupings in relation to program objectives, interrelated activities, and decision-making requirements.
- (f) Evaluate staffing requirements.
- (g) Evaluate adequacy or inadequacy of facilities, training, support, etc., for the program.
- (h) Evaluate finance, both revenue and requirements of the project.
- (i) Evaluate the reporting required.

Step (a) constitutes the ends, the remainder the means successively and in sequential order.

In this context the general conclusions of the Agency task force on manpower are appropos.

1. More time and effort to selecting activities to be undertaken by the Agency.
2. Evaluate programs and activities more vigorously - determine which projects to abandon or reduce, and which to expand.
3. A much higher degree of selectivity is essential.
4. CIA should resist taking over new functions which can properly be performed by other agencies unless we have a real obligation to do so, and unless appropriate provisions are made for sharing the burden in a budgeting and manpower sense.
5. Some objective authority on behalf of the DCI should "question" components utilization of their resources.
6. A significant number of activities could be reduced in scope or eliminated without damage to the national interest. The Agency should concentrate on those clearly important activities that it is uniquely qualified to conduct.

JOHN M. CLARKE
Chief, Budget Division

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SUBJECT: Follow-On Action to Manpower Review Task Force Report

1. The Manpower Task Force Report, for practical follow-on purposes, has perhaps three aspects. First, there are certain general observations and conclusions which may be of some assistance in appraising the manpower situation in the Agency. Secondly, there are some observations or conclusions which suggest rather specific lines of further inquiry. Thirdly, the report contains a few specific recommendations.

2. The Financial Policy and Budget Committee will doubtless wish to:

- a. review the validity of the general comments;
- b. assign responsibility for further evaluation of specific situations which are indicated by the report as deserving further consideration; and
- c. endorse, oppose, or comment upon the specific recommendations.

3. The more important statements included in the category of general comments or conclusions appear to me to be as follows:

a. The report concludes that the strength of the Agency is about right given the number of activities in which it is engaged. The report comes down very heavily on the need for greater selectivity in the conduct and initiation of activities. It suggests specifically "that a number of activities could be reduced in scope or eliminated without damage to the national interest" (p. 23). It does not, however, attempt to identify these activities or areas and the terms of reference of the Committee expressly relieve them from this responsibility. Nevertheless, the basic conclusion of the report appears to be that only by undertaking greater selectivity in the acceptance of requirements can we reasonably hope to maintain the Agency at its present personnel strength. Activities would have to be eliminated before we could hope to accomplish a reduction.

b. The Task Force was unable to develop comparable standards and norms as between different components for the purpose of determining the appropriate allocation of manpower. It does reach the reassuring conclusion that

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those components which do perform functions analogous to functions performed in outside Agencies compare favorably in terms of manpower utilization with these outside Agencies. This appears to be their conclusion with respect to the Office of Communications, Office of Logistics, Office of Personnel, Cable Secretariat, and Records Integration Unit. Despite their difficulty in arriving at any very satisfactory statement of comparable standards as between different components in the Agency, the report does, in fact, suggest certain areas where experience in one component can be helpful in judging the legitimacy and efficiency of strengths and practices in another. The strength and functioning of support units in various elements of the Clandestine Services is an example of this. Although the report does not say so experience with reports, [redacted] and perhaps other operational activities in one Area Division of the Clandestine Services should provide useful guidance in determining the strength and degree of effort appropriate for this activity in another Area Division.

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c. The report detects no opportunities for a significant reduction in over-all strength through more efficient utilization of personnel and no substantial duplication of functions. It also concludes that it is difficult to determine whether people are uniformly efficiently employed in the sense that the people required to perform a function are held to a minimum and whether people generally put in a full day's work. The report suggests that the situation could perhaps be improved but concludes that improvement is a matter of day to day management and supervision. From the substance of the report and also from conversations I have had with members of the Task Force, I gather that they feel that the over-all competence of supervision in the Agency could be substantially improved and that the problem should be approached at the Branch Chief level. In other words, through a process of education, encouragement, admonition and discipline, Branch Chiefs should be encouraged and educated to provide better supervision and management of the personnel and programs for which they are responsible.

d. Almost all components have established a substantial increase in workload since 1957. Against this increases in personnel strengths have been slight [redacted]

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[redacted] and the strength of various components
has remained the same or, in fact, gone down [redacted]

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e. The report concludes that economy could be effected by the creation of greater administrative autonomy in the Clandestine Services, by a decision "-- to make the Clandestine Services as self-sufficient as possible." (Report - Page 19). Although a good case can be made for this proposition, organizational developments have in fact gone the other way. As far as administrative support is concerned, it would seem that economies can best be effected by consolidating more support in the support components rather than vice versa.

f. The necessity to provide for adequate training, rotation and for the staffing of Task Forces [redacted] being the current, for example) is a factor in considering the minimum legitimate size of DD/P.

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4. Conclusions which suggest the desirability of further investigation either of existing practices and ways of doing things or of the substantive value of going activities appear to me as follows:

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[redacted]

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